

AMENDED IN ASSEMBLY APRIL 19, 2007

AMENDED IN ASSEMBLY APRIL 9, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 797

Introduced by ~~Committee on Insurance (Coto (Chair), Benoit (Vice Chair), Berg, Carter, De Leon, Duvall, Garrick, and Parra)~~ *Assembly Member Coto*

February 22, 2007

An act to amend Sections 1749, 1749.1, and 1749.31 and 1749.1 of, and to add ~~Section 1625.55~~ *Sections 1625.55, 1625.56, 1625.57, and 1749.32* to, the Insurance Code, relating to the Department of Insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 797, as amended, ~~Committee on Insurance Coto~~. Insurance: agents.

Existing law defines various types of insurance agent licensees.

This bill would add an automobile minimum limits ~~licensee~~ *agent*, as specified, to the existing types of agent licensees.

Existing law requires that all new applicants for various agent licenses meet prelicensing education standards as specified.

This bill would require candidates for the automobile minimum limits agent license to undergo a minimum of 20 hours of prelicensing study as a prerequisite for qualification for the license. The curriculum for satisfying this requirement would be approved by the curriculum board and submitted to the commissioner for final approval, as specified. *The bill would also require licensed automobile minimum limits agents who apply to become fire and casualty broker-agents or personal lines agents to submit specified application material, complete prelicensing*

education, and pass a qualifying examination. The bill would also establish standards for determining the license year and license term for an automobile minimum limits agent.

Existing law requires the Insurance Commissioner to appoint a curriculum board, consisting of specified insurance-related and consumer representatives. The board is required to develop or recommend courses of study on various topics, and develop standards for providers and instructors of courses, all in connection with education requirements for insurance licenses. The board must submit the curriculum and standards to the commissioner for final approval.

This bill would provide that the board may approve standards for courses in business management practices which may consist of up to 25% of the agent or broker requirements for license renewal.

Existing law requires licensed agents to complete 10 hours of approved continuing education courses, programs of instruction, or seminars prior to the renewal of their license.

This bill would require automobile minimum limits agents to complete ~~the above a minimum of 20 hours of continuing education requirement~~ prior to renewing their licenses.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1625.55 is added to the Insurance Code,
2 to read:
3 1625.55. (a) An automobile minimum limits ~~licensee~~ *agent* is
4 a person authorized to transact automobile insurance, as defined
5 in Section 660, which provides coverage for bodily injury and
6 property damage claims ~~that do including liability coverage that~~
7 *does not exceed the minimum limits specified in Section 16056*
8 *of the Vehicle Code. An automobile minimum limits agent license*
9 *is a license to so act.*
10 ~~(b) A licensee may only exercise agency powers and represent~~
11 ~~only one insurer as designated by the employer licensed producer.~~
12 *(b) A licensee under this section may be an individual or an*
13 *organization. If an individual, the licensee may only act as an*
14 *appointed agent of one insurer or as an endorsee of an*
15 *organization licensed under this section. An organization may*

1 *only be licensed to transact insurance, as provided in subdivision*
2 *(a), and may only be an appointed agent of one insurer.*

3 (c) A license under this section shall be applied for and renewed,
4 following successful completion of a qualifying examination ~~as~~
5 ~~required by~~ *on* this code, ethics, and products sold under the
6 license, in the same manner as provided in this chapter for a license
7 to act as a fire and casualty broker agent.

8 ~~(d) Notwithstanding any other provision of law, for an~~
9 ~~automobile minimum limits agent license:~~

10 (1) ~~“License term” means all of the two-year period beginning~~
11 ~~on the first day of January and ending the last day of December~~
12 ~~in the second subsequent year.~~

13 (2) ~~“License year” means either the first or second calendar year~~
14 ~~of a license term.~~

15 (d) *A person licensed as an automobile minimum limits agent*
16 *who makes an application to the commissioner to become a fire*
17 *and casualty broker-agent pursuant to Section 1625 or a personal*
18 *lines agent pursuant to Section 1625.5 shall do all of the following:*

19 (1) *Submit an application on a form provided by the*
20 *commissioner.*

21 (2) *Complete prelicensing education as specified in Section*
22 *1749.*

23 (3) *Take and pass a qualifying examination pursuant to Section*
24 *1676.*

25 SEC. 2. *Section 1625.56 is added to the Insurance Code, to*
26 *read:*

27 1625.56. *“License year” for an automobile minimum limits*
28 *agent shall be determined as follows:*

29 (a) *Upon initial licensing, the license year starts on the date*
30 *the license is issued.*

31 (b) *Subsequently, each license year starts the first day of the*
32 *month following the month in which the initial license was issued.*

33 (c) *A license year ends the following calendar year on the last*
34 *calendar day of the month in which the initial license was issued.*

35 SEC. 3. *Section 1625.57 is added to the Insurance Code, to*
36 *read:*

37 1625.57. *“License term” for an automobile minimum limits*
38 *agent means all of that two-year period beginning as described in*
39 *subdivision (a) or (b) of Section 1625.56, as applicable, and ending*

1 *the second succeeding year on the last calendar day of the month*
2 *in which the initial license was issued.*

3 ~~SEC. 2.~~

4 SEC. 4. Section 1749 of the Insurance Code is amended to
5 read:

6 1749. The department shall require all new applicants for
7 license as a fire and casualty broker-agent, personal lines
8 broker-agent, automobile minimum limits agent, or as a life agent
9 to meet prelicensing education standards as follows:

10 (a) Require a minimum of 40 hours of prelicensing study as a
11 prerequisite to qualification for a fire and casualty broker-agent
12 license. The curriculum for satisfying this requirement shall be
13 approved by the curriculum board and submitted to the
14 commissioner for final approval. Any additions to the minimum
15 requirements provided by this section shall be approved by the
16 curriculum board pursuant to Section 1749.1 and certified by the
17 department.

18 (b) Require a minimum of 20 hours of prelicensing study as a
19 prerequisite for qualification for a personal lines broker-agent
20 license. The curriculum for satisfying this requirement shall be
21 approved by the curriculum board and submitted to the
22 commissioner for final approval. Any additions to the minimum
23 requirements provided by this section shall be approved by the
24 curriculum board pursuant to Section 1749.1 and certified by the
25 department.

26 (c) Require a minimum of 40 hours of prelicensing study as a
27 prerequisite for qualification for a life agent license. The curriculum
28 for satisfying this requirement shall be approved by the curriculum
29 board and submitted to the commissioner for final approval. Any
30 additions to the minimum requirements provided by this section
31 shall be approved by the curriculum board pursuant to Section
32 1749.1 and certified by the department. This curriculum shall also
33 include instruction in workers' compensation and general principles
34 of employers' liability.

35 (d) Require a minimum of 20 hours of prelicensing study as a
36 prerequisite for qualification for an automobile minimum limits
37 agent license. The curriculum for satisfying this requirement shall
38 be approved by the curriculum board and submitted to the
39 commissioner for final approval. Any additions to the minimum

requirements under this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(e) In addition to the 40 hours prelicensing education required to qualify for a license as a fire and casualty broker-agent or life agent, ~~or the 20 hours prelicensing education required to qualify for a license as a personal lines broker-agent, or the 20 hours prelicensing education required to qualify for a license as an automobile minimum limits agent,~~ the department shall require 12 hours of study on ethics and this code. Where an applicant seeks a license for both the fire and casualty broker-agent license and the life license, the applicant shall only be required to complete one 12-hour course on ethics and this code. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval.

(f) An applicant for a life agent license, a fire and casualty broker-agent license, or a personal lines broker-agent license or an automobile minimum limits agent license, who is currently licensed as such in another state and who has completed 40 hours of prelicensing education as a requirement for licensing in that state shall be required to complete only the course of study on ethics and the Insurance Code, as required by Section 1749. Additionally, any applicant for such a license holding one or more of the designations specified in subdivisions (a) to (e), inclusive, of Section 1749.4 shall be exempted from any requirement for courses in general insurance that would otherwise be a condition of issuance of the license.

(g) An applicant for a fire and casualty broker-agent license who is licensed as a personal lines agent shall complete a minimum of 20 hours prelicensing study as a prerequisite. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. The applicant shall not be required to repeat any prelicensing requirements completed as a prerequisite to being licensed as a personal lines agent.

(h) Review and approval of prelicensing courses not conducted in a classroom, as referenced in subdivisions (a), (b), (c), and ~~(f)~~ (g) shall include an evaluation of the safeguards in place to ensure that the student completing the course is the person enrolled in the course, methods used to monitor the students' attendance are adequate, methods for the student to interact with the entity

1 providing the training exist, and methods used to record the times
2 spent completing the course are adequate.

3 (i) Prelicensing certificates of completion expire three years
4 from completion date of the course, whether or not a license is
5 issued.

6 ~~SEC. 3.~~

7 *SEC. 5.* Section 1749.1 of the Insurance Code is amended to
8 read:

9 1749.1. (a) The commissioner shall appoint a curriculum board
10 consisting of representatives of insurance agents, brokers, and life
11 agents trade associations and representatives of insurance
12 companies and consumer groups to develop the prelicensing and
13 continuing education curriculum, including a list of preapproved
14 courses of study, including courses of study for professional
15 designations which would satisfy the requirements of this article.
16 The curriculum board shall develop or recommend courses of study
17 covering all lines of insurance to be sold under each license
18 including, but not limited to, any special products such as long-term
19 care insurance, Medi-gap policies, disability insurance products,
20 and course study on ethics and pertinent sections of this code. The
21 curriculum developed and the courses of study approved by the
22 board shall be submitted to the commissioner for final approval.

23 (b) The curriculum board shall also develop standards for
24 providers and instructors of prelicensing and continuing education
25 courses, programs, and seminars, which standards shall be
26 approved by the board and submitted to the commissioner for final
27 approval. The curriculum board may approve standards for courses
28 in business management practices which may consist of up to 25
29 percent of the agent or broker requirements for license renewal.

30 (c) Whenever the commissioner has reasonable cause to believe,
31 and determines after public hearing, that any approved course,
32 program of instruction, or seminar is being conducted so as to fail
33 to meet the commissioner's prelicensing or continuing education
34 curriculum, or any provider or instructor for any course, program,
35 or seminar has failed to comply with the commissioner's standards,
36 the commissioner may make and serve upon the provider or
37 instructor of that course, program, or seminar an order or orders
38 rescinding approval for that provider, course, program, or seminar,
39 or imposing fines and penalties on that provider, or both. The
40 amount of any fines and penalties shall not exceed the amounts

1 set forth in Section 1748, and shall be based on the criteria for
2 assessing penalties specified in that section. No credit towards
3 meeting the requirements of this article shall be granted any
4 applicant or licensee for completion of a course, program, or
5 seminar after the effective date of any order rescinding approval
6 for that course, program, or seminar. The commissioner shall serve
7 notice of hearing required by this section upon the provider or
8 instructor of the course, program, or seminar, stating the time and
9 place therefor, and the grounds upon which his or her order is
10 made. The hearing shall occur not less than 30 nor more than 60
11 days after notice is served.

12 (d) The commissioner may impose monetary penalties for minor
13 instances of noncompliance with the standards established pursuant
14 to this article, such as late course roster submissions and late course
15 presentation schedules. The monetary penalties shall not exceed
16 the amounts of the fees established pursuant to Section 1751.1.
17 The commissioner shall adopt regulations to establish the monetary
18 penalties to be levied against providers for late filings and other
19 minor instances of noncompliance with this article and Article 6.5
20 of Subchapter 1 of Chapter 5 of Title 10 of the California Code of
21 Regulations.

22 ~~SEC. 4. Section 1749.31 of the Insurance Code is amended to~~
23 ~~read:~~

24 ~~1749.31. An individual licensed as a personal lines broker-agent~~
25 ~~or as an automobile minimum limits agent shall complete required~~
26 ~~continuing education courses, programs of instruction, or seminars~~
27 ~~approved by the commissioner. The minimum number of hours~~
28 ~~required is 10 hours during each of the calendar years in a license~~
29 ~~term prior to the renewal of the license.~~

30 *SEC. 6. Section 1749.32 is added to the Insurance Code, to*
31 *read:*

32 *1749.32. An individual licensed as an automobile minimum*
33 *limits agent shall complete required continuing education courses,*
34 *programs of instruction, or seminars approved by the*
35 *commissioner. The minimum number of hours required is 20 hours*
36 *per license term prior to the renewal of the license.*